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SECURITY INFORMATION

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GENERAL**1. France willing to resume trade talks with USSR:**

3.3(h)(2)

Comment: The French delegate to the Geneva talks informed American officials that a tentative agreement was reached whereby France would build cargo ships in exchange for Soviet grains. French business circles have recently shown renewed interest in an expansion of trade with the USSR to give a boost to lagging French industry and to help solve France's foreign exchange difficulties.

Trade talks between the two countries over a proposed exchange of ships for wheat broke down last summer.

SOVIET UNION**2.**

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3.3(h)(2)

WESTERN EUROPE**3. High Commissioner Conant warns of political effect of cutting aid to Berlin:**

Any drastic reduction in American financial aid to Berlin for fiscal year 1954 could have serious political and economic consequences, according to US High Commissioner Conant. 3.3(h)(2)

He believes that a termination of financial aid would be interpreted as a decline in American interest.

Conant considers it contradictory to assure a physical position in Berlin by stockpiling and at the same time to risk weakening the moral strength of Berliners by the elimination of fiscal aid, on which their "remarkable" morale greatly depends.

4. French modify views on Austrian treaty:

The French representative to tripartite discussions on the Austrian treaty question has been instructed to agree to reconsideration of Article 35 by the Western powers, 3.3(h)(2)

but only if the Russians have previously reopened other articles of the treaty. American Embassy officials in Paris expect that continued French pressure for acceptance of the article as it now stands must be anticipated, even though the French position will now permit the West to propose a four-power conference for 27 May.

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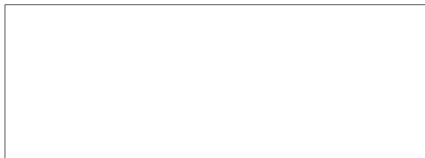
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Comment: Continued French opposition to revision of Article 35 would constitute a real danger to Western unity in four-power negotiations only in the unlikely event that no other obstacles to a conclusion of the treaty are created by the Russians. The French, however, have feared that the question of Article 35 might be raised in the initial stages of negotiations by the Soviet Union in the expectation of further dividing the Western powers and of shifting blame to them for delaying the treaty.

5. France presses for US statement on nonintervention in North Africa:



The French Foreign Ministry has again approached the American Embassy in Paris for a statement from Washington opposing intervention by a third party in North Africa.

3.3(h)(2)

The French Government considers such a statement necessary to answer the criticism of French extremists seeking to embarrass it over the Moroccan base agreement.

Comment: Since early 1951 when American bases were established in Morocco, France has wanted an American statement of confidence in its North African policy.

The Foreign Ministry indicated last month that the reply to this request would have an important bearing on the French attitude toward the American requests for a privileged position for American personnel and equipment in Morocco.

6. Franco reported ready to sign US-Spanish agreements:



General Franco would sign the US-Spanish base agreements when Ambassador Dunn returned to Madrid,

3.3(h)(2)

Franco's primary concern during the negotiations was reportedly the number of American troops to be stationed in Spain.

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Comment: The question of the number and function of American troops in Spain was settled early in the negotiations. The biggest obstacle to the agreements until last month was Spain's insistence on large-scale military assistance while the bases were under construction.

The Spaniards now concede that American military aid, while related to their minimum defense needs, must nevertheless be conditioned by the limitations of the United States' foreign aid budget and prior NATO commitments.

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